

## Message Text

CONFIDENTIAL

PAGE 01   SOFIA 00296 141457Z  
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05  
CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00  
SAJ-01 FCSC-01 L-03 H-01 CIAE-00 INR-07 NSAE-00 PM-04  
DODE-00 /078 W  
-----141639Z 034548 /45

R 141335Z FEB 77  
FM AMEMBASSY SOFIA  
TO SECSTATE WASHDC 2380

C O N F I D E N T I A L SOFIA 0296

E.O. 11652: GDS  
TAGS: BU, PFOR, EFIN  
SUBJECT: MEETING WITH FINANCE MINISTER ON BOND SETTLEMENT

REF: A. 76 STATE 280216 B. 76 STATE 055445 C. 76 SOFIA 2698  
D. SOFIA 0231

1. AMBASSADOR MET FEB 10 WITH FINANCE  
MINISTER BELCHO BELCHEV TO DISCUSS LACK OF PROGRESS TOWARD  
NEGOTIATIONS BETWEEN GOB AND FOREIGN BONDHOLDERS' PROTEC-  
TIVE COUNCIL (REF D).

2. AMBASSADOR NOTED PREVIOUS INTENTION OF GOB, EXPRESSED  
BY AMBASSADOR POPOV (REF A), TO SEND NEGOTIATING TEAM  
TO WASHINGTON LAST SEPTEMBER AND FACT THAT NO VISIT HAD  
YET BEEN SCHEDULED. WHILE NOTING THAT MATTER WAS BETWEEN  
COUNCIL AND GOB, AMBASSADOR OBSERVED THAT NECESSARILY  
PROTRACTED SETTLEMENT PROCESS COULD DELAY BULGARIA'S  
RECEIVING MFN, IF AND WHEN OTHER OBSTACLES HAVE BEEN  
REMOVED, A POTENTIAL DEVELOPMENT THAT WOULD NOT BE TO  
BULGARIA'S ADVANTAGE.

3. BELCHEV PRECEDED HIS RESPONSE BY STATING HE HAD ONLY  
RECEIVED AMBASSADOR'S REQUEST FOR APPOINTMENT DAY  
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PAGE 02   SOFIA 00296 141457Z

BEFORE. (APPOINTMENT HAD BEEN REQUESTED IN JULY AND  
REQUEST HAD BEEN REPEATED TO MFA OCT 28 AND AGAIN  
FEB 7.) HE STATED THAT HE WAS FAMILIAR WITH HISTORY  
OF BONDHOLDERS QUESTION AND HAD DISCUSSED IT IN DETAIL  
WITH COUNCIL PRESIDENT WOODS DURING LATTER'S VISIT  
IN NOV 1974. BELCHEV'S UNDERSTANDING WAS THAT COUNCIL  
STILL OWED GOB INFORMATION REGARDING AMOUNTS AND

HOLDERS OF BONDS (A BORDEREAU), TO HAVE BEEN PROVIDED IN LIGHT OF PRECEDENTS OF BRITISH, FRENCH, AND ITALIAN SETTLEMENTS WITH BULGARIA. BELCHEV THEN DECLARED FLATLY THAT BULGARIA FULLY INTENDS TO SETTLE DEBT, CITING BULGARIAN PROVERB, "FENCES MAY ROT AWAY BUT DEBTS NEVER DO." HE NOTED THAT TERMS OF SETTLEMENT WITH OTHERS HAD BEEN 7 PER CENT OF FACE VALUE OF BONDS, PAID OFF IN INSTALLMENTS DERIVED FROM EARMARKING FIVE PER CENT OF BULGARIA'S EARNINGS FROM EXPORTS TO GIVEN COUNTRY EACH YEAR. TERMS WERE OBVIOUSLY SUBJECT TO NEGOTIATIONS; MAIN POINT WAS BULGARIAN WILLINGNESS TO SETTLE. BELCHEV THOUGHT MATTER MIGHT BE CONCLUDED IN ONE NEGOTIATING SESSION.

4. AMBASSADOR WHILE REITERATING THAT HE WAS UNABLE TO SPEAK FOR COUNCIL EXPRESSED SKEPTICISM THAT SETTLEMENT COULD BE ARRIVED AT IN ONE MEETING. PRECEDENTS ON OUR SIDE SUGGESTED A PATTERN WHICH REQUIRES CERTAIN ACTIONS TO MAKE BONDHOLDERS COME FORWARD, AND THIS COULD BE TIME-CONSUMING. HOWEVER, HE WOULD BE GLAD TO RELAY ANY MESSAGE FROM BELCHEV. BELCHEV THEN REQUESTED THAT COUNCIL BE INFORMED THAT BULGARIAN DELEGATION TO BE HEADED BY KOSTADIN IVANOV, DEPUTY FINANCE MINISTER SPECIALIZING IN FINANCIAL RELATIONS WITH FOREIGN COUNTRIES (WHO WAS ALSO PRESENT AT MEETING), WAS PREPARED TO COME TO NEW YORK (OR WASHINGTON) IN JUNE, JULY OR SEPTEMBER. GOB WAS INTERESTED IN "VERY SERIOUS NEGOTIATIONS" TO MAKE UP FOR DELAY. DELEGATION HEAD IVANOV WOULD HAVE "ADEQUATE POWERS" TO SETTLE.

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CONFIDENTIAL

PAGE 03      SOFIA 00296 141457Z

5. ACTION REQUESTED: THAT COUNCIL BE INFORMED OF FOREGOING AND REQUESTED TO PROPOSE SPECIFIC DATES ASAP. EMBASSY FINDS ITS FILES DO NOT CONTAIN COPY OF LETTER (REF B, PARA 3) IN WHICH WOODS WAS TO HAVE SUPPLIED GOB INFORMATION REGARDING AGREEMENTS WITH OTHER EES. PLEASE POUCH IF AVAILABLE.

6. COMMENT: EMBASSY BELIEVES THAT BELCHEV'S STATEMENTS NOW PROVIDE BASIS FOR USEFUL FORWARD MOVEMENT ON BONDHOLDER SETTLEMENT, ALTHOUGH GOB WILL STILL UNDOUBTEDLY KEEP WEATHER EYE COCKED ON PROGRESS TOWARD MFN, AS LUKANOV SUGGESTED TO AMBASSADOR IN DEC 20 MEETING (REF C).  
HERZ

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## Message Attributes

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**Disposition Date:** 22 May 2009  
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**Review Markings:**  
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